

# Australia expected to follow new UK Pay Ratio Disclosure Rules

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The Australian Labor Party announced that it would, on election, amend listed company requirements to require pay ratio disclosure (see [HERE](#)). It is expected that these will probably follow UK requirements rather than US requirements.

On January 1st of this year the UK became the second major jurisdiction after the US to require companies to disclose pay ratios. While not yet a requirement locally, Australian companies may wish to take note as this trend could expand further internationally.

The new UK rules (see [HERE](#)) require disclosing the ratio between CEO's 'single figure' total remuneration and the median pay of employees, as well as their pay at the lower and upper quartiles. The rules require justification of these differences in the context of the company's strategy and a disclosure of any differences based on gender.

The rules also have a governance component. They expect the board's involvement in the preparation of the disclosures. The board must explain how it took into account the interests of all relevant stakeholders, including employees, in making decisions on executive pay.

Furthermore, aiming to capture a pay windfall for executives, the rules require an illustration of the potential effects a 50% share price increase would have during the performance period, on the value executives could receive under a long-term incentive plan.

The rules apply only to UK publicly listed companies with over 250 employees however their impact could extend further since they are grounded in larger economic concerns. As we reported earlier (see [HERE](#)), the UK government argues that these rules serve various policy goals, including:

- Improving transparency

- Boosting corporate accountability
- Restoring public trust in big business
- Creating a more equal and fair society

Companies will have 2019 to prepare for the new disclosures. The first reports incorporating the new rules will be published in 2020.

These laws are not the only recent development in the UK in this area. Revisions have also been made to the Corporate Governance Code of the UK Financial Reporting Council (see [HERE](#)) .